

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share amounts)	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	2018	2017
Revenues from continuing operations:				
Service revenues	\$ 243,424	\$ 243,613	\$ 1,007,239	\$ 981,672
Product revenues	193,471	211,357	715,141	625,390
Total revenues	436,895	454,970	1,722,380	1,607,062
Costs and expenses from continuing operations:				
Cost of services sold	191,192	193,068	780,930	770,268
Cost of products sold	140,589	157,373	507,807	452,740
Selling, general and administrative expenses	63,383	61,477	238,690	229,792
Research and development expenses	1,171	1,131	5,548	4,227
Other (income) expenses, net	(3,092)	2,912	(1,522)	4,641
Total costs and expenses	393,243	415,961	1,531,453	1,461,668
Operating income from continuing operations	43,652	39,009	190,927	145,394
Interest income	506	854	2,155	2,469
Interest expense	(8,907)	(11,372)	(38,148)	(47,552)
Defined benefit pension income (expense)	776	(541)	3,447	(2,595)
Income (loss) on early extinguishment of debt	32	(2,265)	(1,127)	(2,265)
Income from continuing operations before income taxes	36,059	25,685	157,254	95,451
Income tax income (expense)	11,144	(58,046)	(12,899)	(83,803)
Equity income of unconsolidated entities, net	384	—	384	—
Income (loss) from continuing operations	47,587	(32,361)	144,739	11,648
Discontinued operations:				
Income on disposal of discontinued business	632	844	358	306
Income tax expense related to discontinued business	(145)	(303)	(84)	(110)
Income from discontinued operations	487	541	274	196
Net income (loss)	48,074	(31,820)	145,013	11,844
Less: Net income attributable to noncontrolling interests	(2,161)	(1,584)	(7,956)	(4,022)
Net income (loss) attributable to Harsco Corporation	\$ 45,913	\$ (33,404)	\$ 137,057	\$ 7,822
Amounts attributable to Harsco Corporation common stockholders:				
Income (loss) from continuing operations, net of tax	\$ 45,426	\$ (33,945)	\$ 136,783	\$ 7,626
Income from discontinued operations, net of tax	487	541	274	196
Net income (loss) attributable to Harsco Corporation common stockholders	\$ 45,913	\$ (33,404)	\$ 137,057	\$ 7,822
Weighted-average shares of common stock outstanding	80,403	80,651	80,716	80,553
Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$ 0.56	\$ (0.42)	\$ 1.69	\$ 0.09
Discontinued operations	0.01	0.01	—	—
Basic earnings (loss) per share attributable to Harsco Corporation common stockholders	\$ 0.57	\$ (0.41)	\$ 1.70	\$ 0.10
Diluted weighted-average shares of common stock outstanding	83,311	80,651	83,595	82,840
Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$ 0.55	\$ (0.42)	\$ 1.64	\$ 0.09
Discontinued operations	0.01	0.01	—	—
Diluted earnings (loss) per share attributable to Harsco Corporation common stockholders	\$ 0.55	\$ (0.41)	\$ 1.64	\$ 0.09

(a) Does not total due to rounding.

HARSCO CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	December 31 2018	December 31 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,260	\$ 62,098
Restricted cash	2,886	4,111
Trade accounts receivable, net	291,213	288,034
Other receivables	54,182	20,224
Inventories	133,111	178,293
Current portion of contract assets	24,254	—
Other current assets	35,128	39,332
Total current assets	605,034	592,092
Property, plant and equipment, net	469,900	479,747
Goodwill	411,552	401,758
Intangible assets, net	79,825	38,251
Deferred income tax assets	49,114	51,574
Other assets	17,442	15,263
Total assets	\$ 1,632,867	\$ 1,578,685
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 10,078	\$ 8,621
Current maturities of long-term debt	6,489	11,208
Accounts payable	149,410	126,249
Accrued compensation	57,586	60,451
Income taxes payable	2,634	5,106
Insurance liabilities	40,774	11,167
Current portion of advances on contracts	31,317	117,958
Other current liabilities	118,708	133,368
Total current liabilities	416,996	474,128
Long-term debt	585,662	566,794
Insurance liabilities	19,575	22,385
Retirement plan liabilities	213,578	259,367
Advances on contracts	37,675	—
Other liabilities	46,005	40,846
Total liabilities	1,319,491	1,363,520
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Common stock	141,842	141,110
Additional paid-in capital	190,597	180,201
Accumulated other comprehensive loss	(567,107)	(546,582)
Retained earnings	1,298,752	1,157,801
Treasury stock	(795,821)	(762,079)
Total Harsco Corporation stockholders' equity	268,263	170,451
Noncontrolling interests	45,113	44,714
Total equity	313,376	215,165
Total liabilities and equity	\$ 1,632,867	\$ 1,578,685

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	2018	2017
Cash flows from operating activities:				
Net income (loss)	\$ 48,074	\$ (31,820)	\$ 145,013	\$ 11,844
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	29,811	30,320	122,135	121,839
Amortization	3,030	2,109	10,650	8,098
Deferred income tax expense (benefit)	(8,518)	55,331	(6,522)	57,349
Equity in income of unconsolidated entities, net	(384)	—	(384)	—
Dividends from unconsolidated entities	—	—	88	93
Other, net	181	(1,818)	2,666	749
Changes in assets and liabilities:				
Accounts receivable	12,141	(5,379)	(16,881)	(32,012)
Inventories	4,146	49,669	(14,706)	19,557
Contract assets	7,115	—	(3,312)	—
Accounts payable	800	3,509	18,347	12,554
Accrued interest payable	(139)	151	(154)	438
Accrued compensation	9,311	10,147	(1,127)	11,126
Advances on contracts and other customer advances	15,396	(10,277)	3,057	(16,811)
Retirement plan liabilities, net	(4,578)	(3,410)	(33,321)	(21,300)
Other assets and liabilities	(19,378)	(4,545)	(33,527)	3,368
Net cash provided by operating activities	97,008	93,987	192,022	176,892
Cash flows from investing activities:				
Purchases of property, plant and equipment	(40,866)	(34,183)	(132,168)	(98,314)
Purchases of businesses, net of cash acquired	—	—	(56,389)	—
Proceeds from sales of assets	2,791	2,672	11,887	13,418
Net proceeds (payments) from settlement of foreign currency forward exchange contracts	12,283	(22,879)	15,527	(18,429)
Net cash used by investing activities	(25,792)	(54,390)	(161,143)	(103,325)
Cash flows from financing activities:				
Short-term borrowings, net	2,475	3,146	1,932	5,061
Current maturities and long-term debt:				
Additions	700	1,985	128,858	27,985
Reductions	(41,884)	(43,035)	(116,988)	(108,280)
Dividends paid to noncontrolling interests	(34)	(662)	(5,480)	(2,445)
Sale (purchase) of noncontrolling interests	—	—	477	(3,412)
Stock-based compensation - Employee taxes paid	(45)	(81)	(3,730)	(1,688)
Common stock acquired for treasury	(30,011)	—	(30,011)	—
Deferred financing costs	(59)	—	(596)	(42)
Other financing activities, net	—	(524)	—	(894)
Net cash used by financing activities	(68,858)	(39,171)	(25,538)	(83,715)
Effect of exchange rate changes on cash and cash equivalents, including restricted cash	237	420	(4,404)	4,478
Net increase (decrease) in cash and cash equivalents, including restricted cash	2,595	846	937	(5,670)
Cash and cash equivalents, including restricted cash, at beginning of period	64,551	65,363	66,209	71,879
Cash and cash equivalents, including restricted cash, at end of period	\$ 67,146	\$ 66,209	\$ 67,146	\$ 66,209

HARSCO CORPORATION
REVIEW OF OPERATIONS BY SEGMENT (Unaudited)

(In thousands)	Three Months Ended December 31, 2018		Three Months Ended December 31, 2017	
	Revenues	Operating Income (Loss)	Revenues	Operating Income (Loss)
Harsco Metals & Minerals	\$ 262,380	\$ 28,461	\$ 249,825	\$ 21,528
Harsco Industrial	105,133	14,115	81,826	10,444
Harsco Rail	69,382	7,771	123,283	14,153
Corporate	—	(6,695)	36	(7,116)
Consolidated Totals	\$ 436,895	\$ 43,652	\$ 454,970	\$ 39,009

(In thousands)	Twelve Months Ended December 31, 2018		Twelve Months Ended December 31, 2017	
	Revenues	Operating Income (Loss)	Revenues	Operating Income (Loss)
Harsco Metals & Minerals	\$ 1,068,304	\$ 121,195	\$ 1,011,328	\$ 102,362
Harsco Industrial	374,708	54,665	299,592	35,532
Harsco Rail	279,294	37,341	295,999	32,953
Corporate	74	(22,274)	143	(25,453)
Consolidated Totals	\$ 1,722,380	\$ 190,927	\$ 1,607,062	\$ 145,394

HARSCO CORPORATION
RECONCILIATION OF ADJUSTED DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS EXCLUDING UNUSUAL
ITEMS TO DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS AS REPORTED (Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2018	2017	2018	2017
Diluted earnings per share from continuing operations as reported	\$ 0.55	\$ (0.42)	\$ 1.64	\$ 0.09
Harsco Metals & Minerals adjustment to slag disposal accrual (a)	—	—	(0.04)	—
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability (b)	(0.04)	—	(0.04)	—
Altek acquisition costs (c)	—	—	0.01	—
Loss on early extinguishment of debt (d)	—	0.03	0.01	0.03
Harsco Rail Segment improvement initiative costs (e)	0.01	—	0.01	—
Harsco Metals & Minerals Segment bad debt expense (f)	—	—	—	0.06
Taxes on above unusual items (g)	—	(0.01)	(0.01)	(0.02)
Impact of U.S. tax reform on income tax benefit (expense) (h)	(0.18)	0.59	(0.18)	0.59
Deferred tax asset valuation allowance adjustment (i)	—	—	(0.10)	—
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.33 ^(j)	\$ 0.20 ^(j)	\$ 1.31 ^(j)	\$ 0.74 ^(j)

- (a) Harsco Metals & Minerals adjustment to previously accrued amounts related to the disposal of certain slag material in Latin America (Full year 2018 \$3.2 million pre-tax).
- (b) Fair value adjustment to contingent consideration liability related to the acquisition of Altek (Q4 2018 \$3.4 million pre-tax; Full year 2018 \$2.9 million pre-tax). The Company adjusts Operating income and Diluted earnings per share from continuing operations to exclude the impact of the change in fair value to the acquisition-related contingent consideration liability for the Altek acquisition because it believes that the adjustment for this item more closely correlates the reported financial measures with the ordinary and ongoing course of the Company's operations.
- (c) Costs associated with the acquisition of Altek Europe Holdings Limited and its affiliated entities ("Altek") recorded in the Harsco Metals & Minerals Segment (Full year 2018 \$0.8 million pretax) and at Corporate (Full year 2018 \$0.4 million pretax).
- (d) Loss on early extinguishment of debt associated with the amending of the Company's existing Senior Secured Credit Facility in order to reduce the interest rate applicable to the Term Loan Facility (Full year 2018 \$1.0 million pre-tax; Q4 and Full year 2017 \$2.3 million pre-tax).
- (e) Costs associated with a productivity improvement initiative in the Harsco Rail Segment (Q4 and Full year 2018 \$0.6 million pre-tax).
- (f) Bad debt expense incurred in Harsco Metals & Minerals Segment (Full year 2017 \$4.6 million pre-tax).
- (g) Unusual items are tax effected at the global effective tax rate, before discrete items, in effect at the time the unusual item is recorded except for unusual items from countries where no tax benefit can be realized, in which case a zero percent tax rate is used.
- (h) The Company recorded a benefit (expense) as a result of revaluing net deferred tax assets and liabilities as a result of U.S. tax reform (Q4 and Full year 2018 \$15.4 million benefit; Q4 and Full year 2017 \$48.7 million expense).
- (i) Adjustment of certain existing deferred tax asset valuation allowances as a result of the Altek acquisition (Full year 2018 \$8.3 million).
- (j) Does not total due to rounding.

The Company's management believes Adjusted diluted earnings per share from continuing operations excluding unusual items, which is a non-U.S. GAAP financial measure, is useful to investors because it provides an overall understanding of the Company's historical and future prospects. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF ADJUSTED DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS EXCLUDING UNUSUAL ITEMS TO
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (Unaudited)

	Projected Three Months Ending March 31	
	2019	
	Low	High
Diluted earnings per share from continuing operations	\$ 0.15	\$ 0.21
Harsco Rail Segment improvement initiative costs and certain professional fees	0.05	0.05
Adjusted diluted earnings per share from continuing operations, excluding unusual items	<u>\$ 0.20</u>	<u>\$ 0.26</u>

	Projected Twelve Months Ending December 31	
	2019	
	Low	High
Diluted earnings per share from continuing operations	\$ 1.22	\$ 1.40
Harsco Rail Segment improvement initiative costs and certain professional fees	0.07	0.07
Adjusted diluted earnings per share from continuing operations, excluding unusual items	<u>\$ 1.29</u>	<u>\$ 1.47</u>

The Company's management believes Adjusted diluted earnings per share from continuing operations, excluding unusual items, which is a non-U.S. GAAP financial measure, is useful to investors because it provides an overall understanding of the Company's historical and future prospects. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
REVIEW OF OPERATIONS BY SEGMENT EXCLUDING UNUSUAL ITEMS (Unaudited)

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Three Months Ended December 31, 2018:					
Adjusted operating income (loss), excluding unusual items	\$ 25,110	\$ 14,115	\$ 8,411	\$ (6,695)	\$ 40,941
Revenues as reported	\$ 262,380	\$ 105,133	\$ 69,382	\$ —	\$ 436,895
Adjusted operating margin (%) excluding unusual items	9.6%	13.4%	12.1%		9.4%
Three Months Ended December 31, 2017:					
Operating income (loss), as reported (a)(b)	\$ 21,528	\$ 10,444	\$ 14,153	\$ (7,116)	\$ 39,009
Revenues as reported	\$ 249,825	\$ 81,826	\$ 123,283	\$ 36	\$ 454,970
Adjusted operating margin (%) excluding unusual items	8.6%	12.8%	11.5%		8.6%
Twelve Months Ended December 31, 2018:					
Adjusted operating income (loss) excluding unusual items	\$ 115,786	\$ 54,665	\$ 37,981	\$ (21,843)	\$ 186,589
Revenues as reported	\$ 1,068,304	\$ 374,708	\$ 279,294	\$ 74	\$ 1,722,380
Adjusted operating margin (%) excluding unusual items	10.8%	14.6%	13.6%		10.8%
Twelve Months Ended December 31, 2017:					
Adjusted operating income (loss), excluding unusual items (b)	\$ 106,951	\$ 35,532	\$ 32,953	\$ (25,453)	\$ 149,983
Revenues as reported	\$ 1,011,328	\$ 299,592	\$ 295,999	\$ 143	\$ 1,607,062
Adjusted operating margin (%) excluding unusual items	10.6%	11.9%	11.1%		9.3%

(a) No unusual items were excluded in the three months ended December 31, 2017.

(b) On January 1, 2018, the Company adopted changes issued by the Financial Accounting Standards Board related to how employers that sponsor defined benefit pension plans and other postretirement plans present net periodic pension costs ("NPPC") in the statement of operations. Employers are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of NPPC are required to be presented in the statement of operations separately from the service cost component and outside of the subtotal of income from operations. The amounts presented reflect the adoption of these changes.

The Company's management believes Adjusted operating margin (%) excluding unusual items, which is a non-U.S. GAAP financial measure, is useful to investors because it provides an overall understanding of the Company's historical and future prospects. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF ADJUSTED OPERATING INCOME (LOSS) EXCLUDING UNUSUAL ITEMS BY SEGMENT TO OPERATING INCOME (LOSS) AS REPORTED BY SEGMENT (Unaudited)

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Three Months Ended December 31, 2018:					
Operating income (loss) as reported	\$ 28,461	\$ 14,115	\$ 7,771	\$ (6,695)	\$ 43,652
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	(3,351)	—	—	—	(3,351)
Harsco Rail Segment improvement initiative costs	—	—	640	—	640
Adjusted operating income (loss), excluding unusual items	\$ 25,110	\$ 14,115	\$ 8,411	\$ (6,695)	\$ 40,941
Revenues as reported	<u>\$ 262,380</u>	<u>\$ 105,133</u>	<u>\$ 69,382</u>	<u>\$ —</u>	<u>\$ 436,895</u>
Three Months Ended December 31, 2017:					
Operating income (loss) as reported (a)(b)	\$ 21,528	\$ 10,444	\$ 14,153	\$ (7,116)	\$ 39,009
Revenues as reported	<u>\$ 249,825</u>	<u>\$ 81,826</u>	<u>\$ 123,283</u>	<u>\$ 36</u>	<u>\$ 454,970</u>

(a) No unusual items were excluded in the three months ended December 31, 2017.

(b) On January 1, 2018, the Company adopted changes issued by the Financial Accounting Standards Board related to how employers that sponsor defined benefit pension plans and other postretirement plans present net periodic pension cost ("NPPC") in the statement of operations. Employers are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of NPPC are required to be presented in the statement of operations separately from the service cost component and outside of the subtotal of income from operations. The amounts presented reflect the adoption of these changes.

The Company's management believes Adjusted operating income (loss) excluding unusual items, which is a non-U.S. GAAP financial measure, is useful to investors because it provides an overall understanding of the Company's historical and future prospects. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF ADJUSTED OPERATING INCOME (LOSS) EXCLUDING UNUSUAL ITEMS BY SEGMENT TO OPERATING INCOME (LOSS) AS REPORTED BY SEGMENT (Unaudited)

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Twelve Months Ended December 31, 2018:					
Operating income (loss) as reported	\$ 121,195	\$ 54,665	\$ 37,341	\$ (22,274)	\$ 190,927
Harsco Metals & Minerals adjustment to slag disposal accrual	(3,223)	—	—	—	(3,223)
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	(2,939)	—	—	—	(2,939)
Altek acquisition costs	753	—	—	431	1,184
Harsco Rail Segment restructuring costs	—	—	640	—	640
Adjusted operating income (loss), excluding unusual items	\$ 115,786	\$ 54,665	\$ 37,981	\$ (21,843)	\$ 186,589
Revenues as reported	<u>\$ 1,068,304</u>	<u>\$ 374,708</u>	<u>\$ 279,294</u>	<u>\$ 74</u>	<u>\$ 1,722,380</u>
Twelve Months Ended December 31, 2017:					
Operating income (loss) as reported (a)	\$ 102,362	\$ 35,532	\$ 32,953	\$ (25,453)	\$ 145,394
Harsco Metals & Minerals bad debt expense	4,589	—	—	—	\$ 4,589
Adjusted operating income (loss), excluding unusual items	\$ 106,951	\$ 35,532	\$ 32,953	\$ (25,453)	\$ 149,983
Revenues as reported	<u>\$ 1,011,328</u>	<u>\$ 299,592</u>	<u>\$ 295,999</u>	<u>\$ 143</u>	<u>\$ 1,607,062</u>

(a) On January 1, 2018, the Company adopted changes issued by the Financial Accounting Standards Board related to how employers that sponsor defined benefit pension plans and other postretirement plans present net periodic pension cost ("NPPC") in the statement of operations. Employers are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of NPPC are required to be presented in the statement of operations separately from the service cost component and outside of the subtotal of income from operations. The amounts presented reflect the adoption of these changes.

The Company's management believes Adjusted operating income (loss) excluding unusual items, which is a non-U.S. GAAP financial measure, is useful to investors because it provides an overall understanding of the Company's historical and future prospects. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF ADJUSTED OPERATING INCOME, EXCLUDING UNUSUAL ITEMS TO OPERATING INCOME (Unaudited)

(In millions)	Projected Three Months Ending March 31	
	2019	
	Low	High
Operating income	\$ 30	\$ 37
Harsco Rail Segment improvement initiative costs and certain professional fees	6	6
Adjusted operating income, excluding unusual items	<u>\$ 36</u>	<u>\$ 43</u>

(In millions)	Projected Twelve Months Ending December 31	
	2019	
	Low	High
Operating income	\$ 192	\$ 212
Harsco Rail Segment improvement initiative costs and certain professional fees.	8	8
Adjusted operating income, excluding unusual items	<u>\$ 200</u>	<u>\$ 220</u>

The Company's management believes Adjusted operating income, excluding unusual items, which is a non-U.S. GAAP financial measure, is useful to investors because it provides an overall understanding of the Company's historical and future prospects. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF FREE CASH FLOW TO NET CASH USED BY
OPERATING ACTIVITIES (Unaudited)

(In thousands)	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	2018	2017
Net cash used by operating activities	\$ 97,008	\$ 93,987	\$ 192,022	\$ 176,892
Less capital expenditures	(40,866)	(34,183)	(132,168)	(98,314)
Plus capital expenditures for strategic ventures (a)	623	433	1,595	865
Plus total proceeds from sales of assets (b)	2,791	2,672	11,887	13,418
Free cash flow	59,556	62,909	73,336	92,861
Add growth capital expenditures	11,638	5,885	30,655	16,465
Free cash flow before growth capital expenditures	\$ 71,194	\$ 68,794	\$ 103,991	\$ 109,326

(a) Capital expenditures for strategic ventures represent the partner's share of capital expenditures in certain ventures consolidated in the Company's financial statements.

(b) Asset sales are a normal part of the business model, primarily for the Harsco Metals & Minerals Segment.

The Company's management believes that free cash flow, which is a non-U.S. GAAP financial measure, is meaningful to investors because management reviews cash flows generated from operations less capital expenditures net of asset sales proceeds for planning and performance evaluation purposes. The Company's management also believes that free cash flow before growth capital expenditures, which is a non-U.S. GAAP financial measure, is meaningful to investors because management uses this as a key factor in the deployment of capital for strategic planning purposes. It is important to note that free cash flow and free cash flow before growth capital expenditures do not represent the total residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements and settlements of foreign currency forward exchange contracts, are not deducted from these measures. These measures should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF FREE CASH FLOW TO NET CASH PROVIDED BY OPERATING ACTIVITIES (Unaudited)

(In millions)	Projected Twelve Months Ending December 31	
	2019	
	Low	High
Net cash provided by operating activities	\$ 220	\$ 260
Less capital expenditures	(176)	(194)
Plus total proceeds from asset sales and capital expenditures for strategic ventures	6	4
Free cash flow	50	70
Add growth capital expenditures	80	80
Free cash flow before growth capital expenditures	\$ 130	\$ 150

The Company's management believes that free cash flow, which is a non-U.S. GAAP financial measure, is meaningful to investors because management reviews cash flows generated from operations less capital expenditures net of asset sales proceeds for planning and performance evaluation purposes. The Company's management also believes that free cash flow before growth capital expenditures, which is a non-U.S. GAAP financial measure, is meaningful to investors because management uses this as a key factor in the deployment of capital for strategic planning purposes. It is important to note that free cash flow and free cash flow before growth capital expenditures do not represent the total residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements and settlements of foreign currency forward exchange contracts, are not deducted from these measures. These measures should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF RETURN ON INVESTED CAPITAL EXCLUDING UNUSUAL ITEMS TO NET INCOME (LOSS) FROM CONTINUING OPERATIONS AS REPORTED (a) (Unaudited)

(In thousands)	Year Ended December 31	
	2018	2017
Income from continuing operations	\$ 144,739	\$ 11,648
Unusual items:		
Harsco Metals & Minerals Segment adjustment to slag disposal accrual	(3,223)	—
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	(2,939)	—
Altek acquisition costs	1,184	—
Harsco Metals & Minerals Segment bad debt expense	—	4,589
Loss on early extinguishment of debt	1,034	2,265
Harsco Rail Segment restructuring costs	640	—
Taxes on above unusual items (b)	(361)	(2,052)
Impact of U.S. tax reform on income tax benefit	(15,409)	48,680
Deferred tax asset valuation allowance adjustment	(8,292)	—
Net income from continuing operations, as adjusted	117,373	65,130
After-tax interest expense (c)	29,374	29,957
Net operating profit after tax as adjusted	\$ 146,747	\$ 95,087
Average equity	\$ 274,164	\$ 189,560
Plus average debt	635,491	638,964
Average capital	\$ 909,655	\$ 828,524

Return on invested capital excluding unusual items **16.1%** **11.5%**

- (a) Return on invested capital excluding unusual items is net income (loss) from continuing operations excluding unusual items, and after-tax interest expense, divided by average capital for the year. The Company uses a trailing twelve month average for computing average capital.
- (b) Unusual items are tax effected at the global effective tax rate, before discrete items, in effect at the time the unusual item is recorded except for unusual items from countries where no tax benefit can be realized, in which case a zero percent tax rate is used.
- (c) The Company's effective tax rate approximated 37% for the year ended December 31, 2017 and for the year ended December 31, 2018, 23%, on an adjusted basis, for interest expense. The lower rate for 2018 is due to U.S. Tax reform.

The Company's management believes Return on invested capital excluding unusual items, which is a non-U.S. GAAP financial measure, is meaningful in evaluating the efficiency and effectiveness of the capital invested in the Company's business. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, net income or other information provided in accordance with U.S. GAAP.